



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 22nd day of March, 2004

Essential air service at

**ALAMOGORDO/HOLLOMAN AIR FORCE BASE,
NEW MEXICO
TOPEKA, KANSAS**

Docket OST-1996-1901

Docket OST-1996-1352

under 49 U.S.C. 41731 *et seq.*

ORDER ESTABLISHING FINAL SUBSIDY RATES

Background

By Order 2001-5-18, May 15, 2001, the Department tentatively selected Mesa Air Group, Inc., d/b/a Mesa Airlines, to continue providing essential air service at Alamogordo/Holloman Air Force Base, New Mexico, at a subsidy rate of \$923,789 annually. Similarly, by Order 2001-8-13, August 10, 2001, the Department selected Mesa's subsidiary, Air Midwest, Inc., d/b/a US Airways Express, to continue providing essential air service at Topeka, Kansas, at a subsidy rate of \$621,872 annually.

By Order 2002-2-13, February 13, 2002, the Department established program-wide emergency interim subsidy rates, effective October 1, 2001, and subject to later adjustment if necessary, in view of the lower revenues and higher expenses experienced by carriers in the wake of the terrorist attacks of September 11, 2001. That order established interim rates of \$1,067,494 annually for Alamogordo and \$701,852 annually for Topeka.

Edelweiss Holdings, Inc., d/b/a Rio Grande Air, replaced Mesa as the subsidized carrier at Alamogordo/Holloman Air Force Base on May 27, 2002, and the Department discontinued subsidy for Air Midwest's service at Topeka as of May 1, 2003, because the subsidy necessary to support the community's service exceeded the statutory ceiling of \$200 per passenger.¹

Decision

As a result of discussions with Department staff, Mesa has agreed that the interim rates set by Order 2002-2-13 for Alamogordo/Holloman Air Force Base and Topeka should now be established as the final rates. Upon review, we find that those rates are reasonable for the

¹ See Order 2002-4-18, April 22, 2002, regarding Mesa's replacement by Rio Grande Air at Alamogordo/Holloman Air Force Base, and Order 2003-4-16, April 18, 2003, regarding the Department's discontinuation of subsidy for service at Topeka.

services at issue, and we will establish them as the final rates for the balance of the carriers' contract periods: from October 1, 2001, through May 26, 2002, for Mesa' service at Alamogordo/Holloman Air Force Base, and from October 1, 2001, through April 30, 2003, for Air Midwest's service at Topeka.

This order is issued under authority delegated in 49 CFR 1.56a(f).

ACCORDINGLY,

1. We set the final rate of compensation for Mesa Air Group, Inc., d/b/a Mesa Airlines, for the provision of essential air service at Alamogordo/Holloman Air Force Base, New Mexico, from October 1, 2001, through May 26, 2002, equal to the interim rate established by Order 2002-2-13, February 13, 2002;
2. We set the final rate of compensation for Air Midwest, Inc., d/b/a US Airways Express, for the provision of essential air service at Topeka, Kansas, from October 1, 2001, through April 30, 2003, equal to the interim rate established by Order 2002-2-13, February 13, 2002;
3. We direct Mesa Air Group, Inc., d/b/a Mesa Airlines, and Air Midwest, Inc., d/b/a US Airways Express, to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carriers may forfeit their compensation for any claim that is not supported under the terms of this order;
4. These dockets will remain open until further order of the Department; and
5. We will serve copies of this order on the mayors and airport managers of Alamogordo/Holloman Air Force Base, New Mexico, and Topeka, Kansas; Mesa Air Group, Inc., d/b/a Mesa Airlines; and Air Midwest, Inc., d/b/a US Airways Express.

By:

KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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